Voluntary _ Public

Date: 7/3/2013
GAIN Report Number: IN3075

India

Post: New Delhi

Cotton and Products Update June 2013

Report Categories:
Cotton and Products

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Report Highlights:
Timely onset of monsoon rains has prompted early planting of kharif (fall and early harvested) crops, and as a result planted area under cotton as of June 21 was 14 percent higher compared to the normal sowing area. According to official reports, area under cotton has reached an estimated 2.81 million hectares. The current area and production forecasts of the 2013/14 remain unchanged. The pace of daily arrivals has slowed down considerably to 20,000 bales per day. The Government of India announced an increase in minimum support price for cotton by 1 percent for both medium staple and long staple variety.

Cotton India	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Aug 2011		Market Year Begin: Aug 2012		Market Year Begin: Aug 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	12,200	12,200	11,800	11,800	12,000	12,000
Beginning Stocks	11,174	10,964	8,944	8,584	7,694	6,834
Production	27,500	27,500	26,500	26,500	27,000	27,000
Imports	600	400	1,700	1,250	1,000	1,500
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	39,274	38,864	37,144	36,334	35,694	35,334
Exports	11,080	11,080	7,200	7,200	5,700	5,800
Use	19,750	19,700	22,750	22,300	23,250	23,000
Loss	-500	-500	-500	0	-500	0
Total Dom. Cons.	19,250	19,200	22,250	22,300	22,750	23,000
Ending Stocks	8,944	8,584	7,694	6,834	7,244	6,534
Total Distribution	39,274	38,864	37,144	36,334	35,694	35,334
1000 HA, 1000 480 lb. Bales, PERCENT, KG/HA						

Cotton Planting and Acreage

With the early onset of southwest monsoon this year, sowing has picked up in most parts of India. Cotton planting continues to gain momentum, given favorable weather and adequate rain over major growing regions. The onset of the southwest monsoon was about a week ahead of schedule. All the major cotton-growing regions have received above normal rainfall, which has advanced cotton planting. While rains have been good, farmers are reportedly considering other planting options that could curb the potential for even higher planted area. In the north, farmers in Punjab have reportedly shifted some cotton area to basmati rice in response to state-government incentives to encourage basmati planting in place of water-consuming paddy varieties. In Haryana and upper Rajasthan, farmers may are shift some area to guar, in anticipation of better price realization. Sowing in states of Andhra Pradesh and Gujarat is expected to remain strong with above average rainfall thus far. Maharashtra may see a slight shift towards soybeans. FAS Mumbai continues to forecast an area of 12 million hectares for MY 2013/14. The Government of India has announced the minimum support price (MSP) for cotton, increasing the support prices of both medium staple and long staple cotton by Rs. 100 ($2.0) per 100 kg. They have been fixed at 31 cents/lb (Rs. 3,700 per quintal) and 34 cents/lb (Rs. 4,000 per quintal) respectively. Much of the crop has been planted in northern India, which accounts for 15-20 percent of India’s production, farmers in central and southern India will have the opportunity to react to the increase. Support prices for other crops were also increased, some much higher than cotton. However, except for rice, there is limited government procurement of crops other than cotton.

Arrivals and Production

On June 26, 2013, cotton arrivals had reached 32.34 million 170 kg bales (25.25 million 480 lb bales / 5.49 mmt) compared to 33.06 million 170 kg bales (25.81 million 480 lb bales / 5.62 mmt). The daily arrivals have slowed down to 20,000 bales per day. The Cotton Corporation of India continues to auction stocks of limited quantities on a daily basis. Total sales have reached 800,000 170 kg bales (624,000 480 lb bales / 136,000 mt) leaving 1.5 million 170 kg bales (1.17 million 480 lb bales / 255,000 mt) with the Cotton Corporation of India. FAS Mumbai continues to forecast MY 2012/13 production at 34 million 170 kg bales (26.5 million 480 lb bales / 5.78 mmt). Seed cotton prices continue to trade near 40 cents/lb (see Figure 1b) as supply tightens toward the end of the marketing year.

Consumption

The 2012/13 consumption figure has been revised to 28.56 million 170 kg bales (22.3 million 480 lb bales / 4.85 mmt) from 29 million 170 kg bales (22.7 million 480 lb bales / 4.94 mmt). The Textile Commissioners office has revised the consumption figures from September 2012 onwards. The revised figure has been lowered but still reflects robust mill consumption. The total consumption has been averaging over 2 million 170 kg bales (1.56 million 480 lb bales / 340,000 mt) per month since December 2011. Trade sources indicate that the domestic consumption will continue to remain strong as mills seek to cover their position till September. There has been a steady demand from yarn manufacturers as exporters look to take advantage of the weaker rupee by exporting at higher margins.

Trade

According to trade source, exports have started picking up again with major trading firms busy buying at auctions of Cotton Corporation of India. Preliminary data suggest that exports reached 9.1 million 170 kg bales (7.13 million 480 lb bales / 1.5 mmt) through end of June. Major exports markets continue to remain China, Bangladesh, and Vietnam. According to trade sources, cotton yarn shipments in June are expected to rise by 7-8 percent over the previous month with the rupee devaluation boosting exports. Yarn export registrations for May have risen by more than 21 percent on a year-to-year basis.

Shipments from West Africa have started arriving in India and imports of cheaper cotton from Mali, Ivory Coast, Sudan, Uganda, and Burkina Faso make up the bulk of the imports along with longer staple variety imports from United States and Egypt. FAS Mumbai expects that higher volumes of shipments from West Africa will arrive during 2013/14 marketing year. Preliminary data suggests that imports have reached 1.2 million 170 kg bales (990,000 480 lb bales / 215,000 mt).

Table 1a: Estimate of 2011/12 Cotton Exports

	170 kg	Metric Tons	480 lb
August	436,447	74,196	340,780
September	948,859	161,306	740,873
October	696,324	118,375	543,692
November	2,095,165	356,178	1,635,913
December	1,621,682	275,686	1,266,216
January	2,524,159	429,107	1,970,873
February	2,324,518	395,168	1,814,992
March	512,088	87,055	399,840
April	1,369,700	232,849	1,069,467
May	798,494	135,744	623,467
June	590,165	100,328	460,803
July	261,000	44,370	203,790
Official Total Aug-Jul 1	**14,178,600**	**2,410,362**	**11,070,705**

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

Table 1b: Estimate of 2012/13 Cotton Exports

	170 kg	Metric Tons	480 lb
August Exports 1\	56,894	9,672	44,423
September Exports 1\	104,912	17,835	81,916
October Exports 1\	160,506	27,286	125,324
November Exports 1\	767,165	130,418	599,005
December Exports 1\	1,836,812	312,258	1,434,190
January Exports 1\	2,250,871	382,648	1,757,489
February Exports 1\	2,099,929	356,988	1,639,633
March Preliminary Exports 2\	1,183,147	201,135	923,806
April Estimated Exports 3\	250,000	42,500	195,201
May Estimated Exports 3\	200,000	34,000	156,161
June Estimated Exports 3\	230,000	39,100	179,585
Preliminary Total Aug-Jun	**9,140,236**	**1,553,840**	**7,136,732**

1\ Official sub-total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.
2\ Preliminary official data from the Directorate of Commercial Intelligence and Statistics. These data

are subject to revision, but are considered a fairly reliable predictor of final official data.
3\ FAS Mumbai estimate

Table 2a: Estimate of 2011/12 Cotton Imports

	170 kg	Metric Tons	480 lb
August	8,735	1,485	6,821
September	2,518	428	1,966
October	12,647	2,150	9,875
November	14,665	2,493	11,450
December	12,847	2,184	10,031
January	37,265	6,335	29,096
February	80,224	13,638	62,639
March	92,535	15,731	72,252
April	98,447	16,736	76,868
May	79,324	13,485	61,936
June	34,006	5,781	26,552
July	26,312	4,473	20,545
Official Total Aug-Jul 1	**499,524**	**84,919**	**390,030**

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

Table 2b: Estimate of 2012/13 Cotton Imports

	170 kg	Metric Tons	480 lb
August Imports 1\	62,935	10,699	49,140
September Imports 1\	203,265	34,555	158,710
October Imports 1\	313,253	53,253	244,589
November Imports 1\	213,159	36,237	166,435
December Imports 1\	104,247	17,722	81,396
January Imports 1\	61,194	10,403	47,781
February Imports 1\	45,541	7,742	35,559
March Preliminary Imports 2\	56,629	9,627	44,216
April Estimated Imports 3\	65,000	11,050	50,752
May Estimated Imports 3\	75,000	12,750	58,560
June Estimated Imports 3\	70,000	11,900	54,656
Preliminary Total Aug-Jun	**1,270,223**	**215,938**	**991,795**

1\ Official subtotal reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

2\ Preliminary official data from the Directorate of Commercial Intelligence and Statistics. These data are subject to revision, but are considered a fairly reliable predictor of final official data.
3\ FAS Mumbai estimate

Table 3: Monthly Cotton Consumption by the Textile Sector
(Million 170 kg bales)

Month	2009/10	2010/11	2011/12	2012/13
Aug	1.859	2.173	1.864	2.207
Sep	1.829	2.143	2.170	2.146
Oct	1.812	2.209	1.776	2.195
Nov	1.847	2.110	1.834	2.095
Dec	1.949	2.257	2.013	2.274
Jan	1.954	2.210	2.033	2.295
Feb	1.881	2.023	2.030	2.208
Mar	2.001	2.176	2.038	2.334
Apr	2.053	2.017	2.031	2.283
May	2.093	1.864	*2.128*	
Jun	2.071	1.823	2.117	
Jul	2.211	1.900	2.213	
Loss*	1.700	1.338	*1.000*	*2.000*
Total	**25.260**	**26.243**	**25.247**	

Source: Textile Commissioner
*Loss estimate from the Cotton Advisory Board

Table 4: Cotton Yarn Export Registration Data

Month	Quantity	Month	Quantity
	(Million kg)		(Million kg)
Aug-11	97.734	Aug-12 (P)	83.055
Sep-11	77.157	Sep-12 (P)	64.269
Oct-11	43.69	Oct-12 (P)	94.462
Nov-11	76.362	Nov-12 (P)	100.769
Dec-11	83.005	Dec-12 (P)	100.778
Jan-12	79.148	Jan-13 (P)	117.143
Feb-12	60.518	Feb-13 (P)	103.955
Mar -12 (P)	64.227	Mar-13 (P)	88.685
Apr -12 (P)	62.811	Apr-13 (P)	115.960
May -12 (P)	74.455	May -13 (P)	90.152
Jun -12 (P)	82.419		
Jul -12 (P)	94.507		

Total	896.033		959.228

(P) – Provisional

Source: Directorate General of Foreign Trade, Export Cell

Estimated Monthly Stock Position

Tables 5 and 6 provide an estimate of India's 2012/13 monthly cotton stock position on the respective USDA and Indian marketing years using beginning stock estimates of USDA Washington contained in this report and stock estimates from the Cotton Advisory Board (CAB).

Table 5: Monthly Stock Position
August/July Marketing Year -- 170 kg bales

Month	Opening Stock	Arrivals	Imports	Available Supply	Consumption	Exports	Monthly Loss	Ending Stocks
Aug-12	11,454,862	-	62,935	11,517,797	2,207,000	56,894	166,667	9,087,236
Sep-12	9,087,236	-	203,265	9,290,501	2,146,000	104,912	166,667	6,872,922
Oct-12	6,872,922	869,000	313,253	8,055,175	2,195,000	160,506	166,667	5,533,003
Nov-12	5,533,003	3,100,000	213,159	8,846,162	2,095,000	767,165	166,667	5,817,330
Dec-12	5,817,330	4,828,000	104,247	10,749,577	2,274,000	1,836,812	166,667	6,472,098
Jan-13	6,472,098	8,199,000	61,194	14,732,292	2,295,000	2,250,871	166,667	10,019,755
Feb-13	10,019,755	3,595,000	45,541	13,660,296	2,208,000	2,099,929	166,667	9,185,700
Mar-13	9,185,700	4,872,000	56,629	14,114,329	2,334,000	1,183,147	166,667	10,430,515
Apr-13	10,430,515	3,536,000	65,000	14,031,515	2,283,000	250,000	166,667	11,331,849
May-13	11,331,849	2,114,000	75,000	13,520,849	2,200,000	200,000	166,667	10,954,182
Jun-13	10,954,182	1,232,000	70,000	12,256,182	2,200,000	230,000	166,667	9,659,515
Jul-13	9,659,515	1,655,000	230,000	11,544,515	2,200,000	200,000	166,667	8,977,849
TOTAL		**34,000,000**	**1,500,223**	**142,319,190**	**26,637,000**	**9,340,236**	**2,000,000**	

Note: The arrivals for Aug and Sep 2013 are reflected in the 2012/13 Aug/Jul marketing year
FAS Mumbai estimates highlighted in red italics.

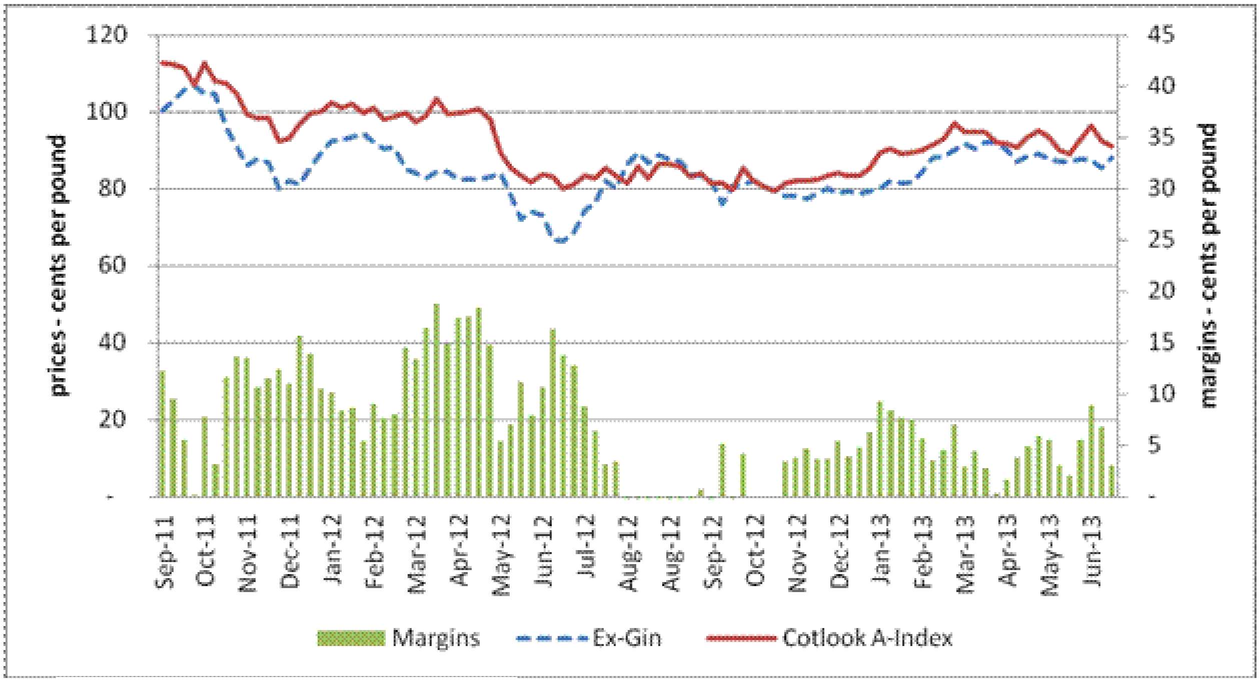
Table 6: Monthly Stock Position Using Cotton Advisory Board Stock Estimates October/September Marketing Year/170 kg bales

Month	Opening Stock	Arrivals	Imports	Available Supply	Consumption	Exports	Monthly Loss	Ending Stocks
Oct-12	4,000,000	869,000	313,253	5,182,253	2,195,000	160,506	166,667	2,660,080
Nov-12	2,660,080	3,100,000	213,159	5,973,239	2,095,000	767,165	166,667	2,944,408
Dec-12	2,944,408	4,828,000	104,247	7,876,655	2,274,000	1,836,812	166,667	3,599,176
Jan-13	3,599,176	8,199,000	61,194	11,859,370	2,295,000	2,229,753	166,667	7,167,950
Feb-13	7,167,950	3,595,000	45,541	10,808,491	2,208,000	2,099,929	166,667	6,333,895
Mar-13	6,333,895	4,872,000	56,629	11,262,524	2,334,000	1,183,147	166,667	7,578,711
Apr-13	7,578,711	3,536,000	*65,000*	11,179,711	2,283,000	*250,000*	166,667	8,480,044
May-13	8,480,044	2,114,000	*75,000*	10,669,044	*2,200,000*	*200,000*	166,667	8,102,377
Jun-13	8,102,377	1,232,000	*70,000*	9,404,377	*2,200,000*	*230,000*	166,667	6,807,711

Jul-13	6,807,711	*655,000*	*230,000*	7,692,711	*2,200,000*	*200,000*	166,667	5,126,044
Aug-13	5,126,044	*600,000*	*600,000*	6,326,044	*2,200,000*	*200,000*	166,667	3,759,377
Sep-13	3,759,377	*400,000*	*670,000*	4,829,377	*2,200,000*	*100,000*	166,667	2,362,711
TOTAL		**34,000,000**	**2,504,023**	**103,063,796**	**26,684,000**	**9,457,312**	**2,000,000**	

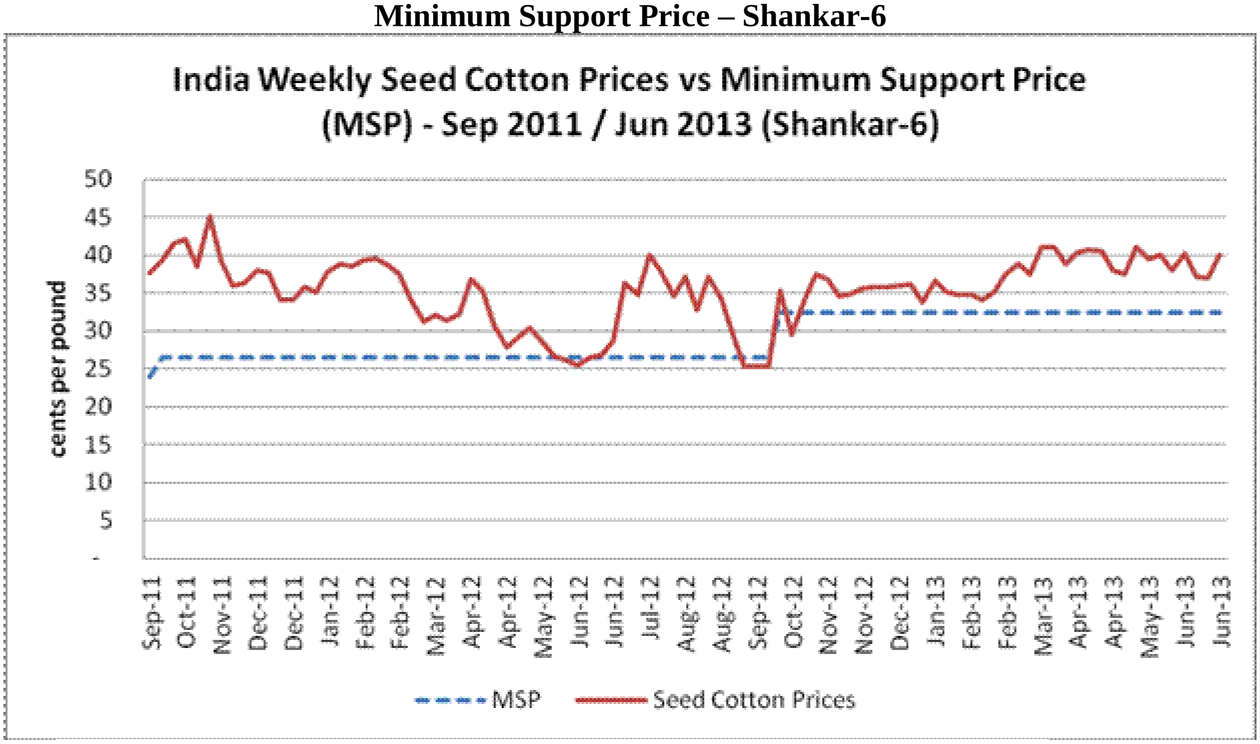
FAS Mumbai estimates highlighted in red italics.

Figure 1a: India Weekly Shankar 6 Ex-Gin Price vs. Cotlook A-Index



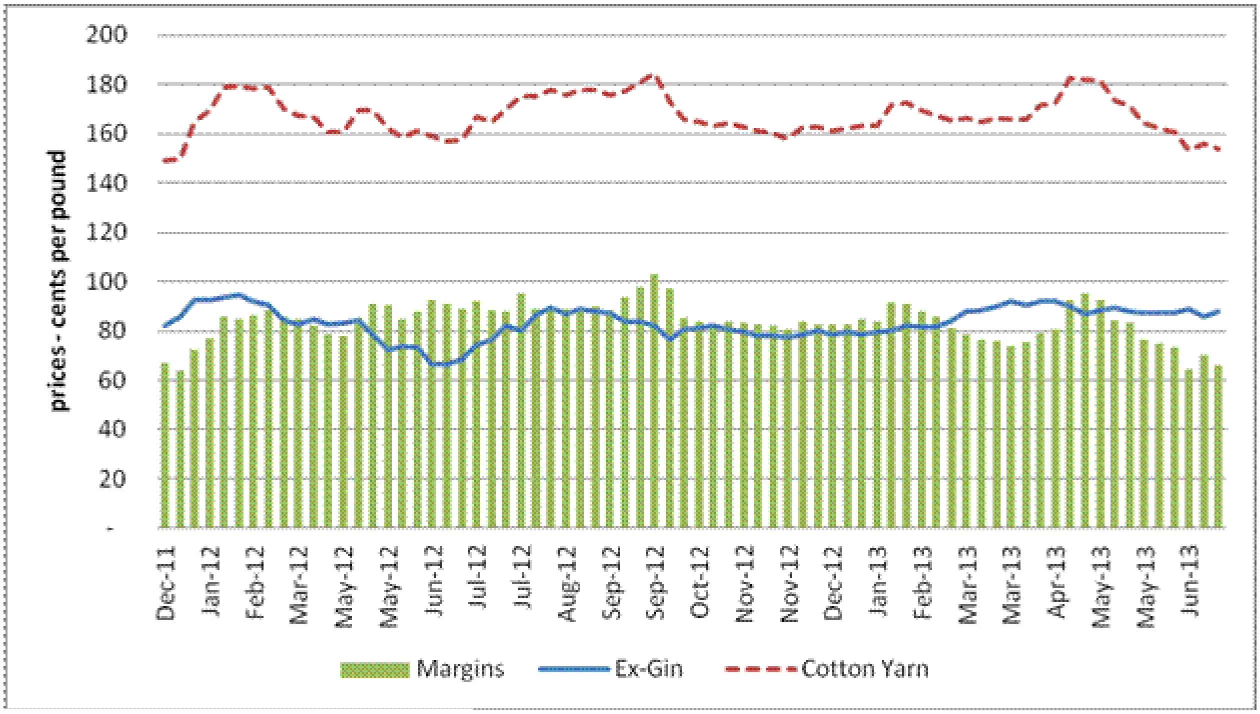
Source: Cotton Association of India
Cotlook A-Index

Figure 1b: India Weekly Seed Cotton Prices vs. Minimum Support Price – Shankar-6



Source: Agriculture Marketing Information Network, Ministry of Agriculture

Figure 1c: Spinning Margin -- India Weekly Shankar 6 Ex-Gin Price vs. Indian Cotton Yarn Price (40s)



<u>Source</u>: Cotton Association of India
Tecoya Trend